

Table of Contents: Chapter 9 – Receipt of Funds

Chapter 9 – Receipt of Funds.....	2
9.1 Cash Management Policy Board-----	2
9.2 Cash Receipts-----	3
9.2.1 Stock Dividends and Interest-----	4
9.2.2 Tax Receipts-----	4
9.3 Special Funds Collections-----	4
9.3.1 School Internal Funds-----	6
9.3.2 Cash Receipts from the Sale of Bonds, Notes, and Revenue Notes-----	6
9.3.3 Federal Grant Funds-----	7
9.3.4 Credit Advances-----	7
9.3.5 Refunds to the State-----	7
9.3.6 Insurance Recoveries-----	8
9.3.7 School Facilities Usage Fees-----	8
9.3.8 Reproduction Charges-----	8
9.3.9 Restitution Processing-----	9
9.4 Accounts Receivable-----	9
9.4.1 Collections-----	9
9.4.2 Doubtful Accounts-----	10
9.4.3 Waiver of Accounts Receivable Compliance-----	10
9.4.4 Write-Offs-----	10

Chapter 9 – Receipt of Funds

All receipts of monies of the State are credited into the General Fund (**29 Del. C. §6102(a)**), except as noted otherwise in this Manual. Funds not deposited into the General Fund are placed in Special Funds and accounts.

The State Treasurer is responsible for loading daily deposit information received from the State's banks into FSF. Agencies are then responsible for applying deposits into the correct agency appropriation.

The Secretary of Finance is accountable for all monies collected on behalf of the State. These monies include, but are not limited to, receipts for taxes, fines, fees, sales (including proceeds from the disposition of surplus property), rentals, admissions, tuitions, gifts, grants, and donations.

9.1 Cash Management Policy Board

The Cash Management Policy Board (Board) (**29 Del. C. §2716**) determines policies for the investment of all money belonging to the State, except money deposited in any state pension fund or State Deferred Compensation Program. Additionally, the Board determines the terms, conditions, and other matters relating to the protection and maintenance of state investments, including the designation of permissible investments.

The Board has determined and requires that:

- Deposits of state monies must be continuously and fully secured by direct general obligations of the United States of America, other obligations unconditionally guaranteed (principal and interest) by the United States of America, or other suitable obligations; (**29 Del. C. §2716(a)(1)**)
- The selection of financial institutions to provide banking and investment services involving the funds for which the Board is responsible must be conducted on an open and competitive basis; (**29 Del. C. §2716(a)(2)**) and
- Temporary clearing accounts and major disbursement accounts are established in a bank or banks whose principal office is located within the State. (**29 Del. C. §2716(a)(3)**)

The State Treasurer is responsible for enforcing all policies established by the Board with respect to the creation of all checking accounts by the State. (**29 Del. C. §2716(d)(2)**) The State Treasurer is also responsible for investing monies belonging to the State in accordance with the Board's policies, except as noted otherwise in this Manual. (**29 Del. C. §2716(e)(1)**) The Board

Agencies must report to the State Treasurer projections of receipts and expenditures, so the State Treasurer may provide the Board with accurate cash flow forecasts. **(29 Del. C. §2716(e)(2))**

Agencies must exercise close control in handling cash receipts. Exact audit requirements for processing cash receipts may vary among agencies; however, the following basic procedures must be followed:

- "Pay to the Order of the Treasurer,
State of Delaware
Payee "

Agencies that receive less than \$100 in daily receipts are required to deposit the funds when the accumulated receipts exceed \$100 or on a weekly basis, whichever occurs first. Monies received after the close of normal banking hours will be deposited on the next business day. However, if the receipts are of a significant magnitude, agencies should make arrangements for an after-hours deposit. **(29 Del. C. §6103(a))**

9.2.1 Stock Dividends and Interest

The State Treasurer may receive dividends or interest from any stock, shares, loans, or investments of monies belonging to the State or to a school. The State Treasurer is responsible for allocating the received funds to the proper agency. **(29 Del. C. §2709)** Agencies are responsible for applying the funds to the correct agency appropriation.

9.2.2 Tax Receipts

The Division of Revenue (DOR), Department of State, and the Bank Commission have independent systems to manage the detailed accounting associated with the tax revenues collected by the Division. Tax period and taxpayer-specific information is captured from the tax remittance documents (e.g. tax return forms, checks) and entered into the appropriate system. A Cash Receipt (CR) transaction is processed by DOR to properly credit the cash receipts into the State's cash collections account and FSF.

9.3 Special Funds Collections

The current list of Special Funds and Accounts follows:

1. Accounts established by agencies for the collection of receipts for:
 - Board;
 - Tuition;
 - Hospital Treatments; and
 - Sale of Farm Products

(29 Del. C. §6102(b))
2. Revenue Refund Accounts **(29 Del. C. §6533(e))**
3. Federal Aid Funds - All federal financial assistance program money received by the State, whether directly or indirectly, in the form of cash, check, or via an electronic funds transfer method. **(29 Del. C. §2711)**
4. Capital Improvement Projects Fund – All monies received from the sale of bonds and notes issued for the capital improvement program. **(29 Del. C. §7414)**
5. First State Improvement Fund **(29 Del. C. §5080)**
6. Advanced Planning and Real Property Acquisition Fund **(29 Del. C. §6343)**

7. Accounts established for minor capital improvements by local school districts **(29 Del. C. §7528)**
8. Accounts established for the rental, repair, and lease purchase of portable classrooms by the State Board of Education **(29 Del. C. §6102(d))**
9. Accounts established for the Business Enterprise Program's vending receipts, operated by the Division for the Visually Impaired, within the Department of Health and Social Services. **(29 Del. C. §6102(l))**
10. Accounts established for the improvement of statewide (departmental and divisional) indirect cost recoveries from programs financed in whole or in part with federal funds. **(29 Del. C. §6102(k))**
11. Accounts established for the Delaware Emergency Management Agency **(29 Del. C. §6102(i))**
12. Division of Corporations Corporate Revolving Fund **(29 Del. C. §2311 (b))**
13. Emergency Housing Fund **(29 Del. C. §7953(c))**
14. State Lottery Fund **(29 Del. C. §4815)**
15. Delaware Higher Education Loan Program Fund **(29 Del. C. §6102(e))**
16. University of Delaware Funds **(29 Del. C. §6120(b))**
17. Delaware State University Funds **(29 Del. C. §6102(b))**
18. Delaware Technical and Community College Funds **(29 Del. C. §6102(b))**
19. Delaware Child Support Enforcement Account **(29 Del. C. §6102(g))**
20. Delaware State Housing Authority Funds **(29 Del. C. §6102(h))**
21. Housing Development Fund **(29 Del. C. §4030)**
22. Local School District Funds **(29 Del. C. §6102(j))**
23. Delaware Home Improvement Insurance Fund **(31 Del. C. §4050)**

9.3.1 School Internal Funds

School internal funds are generally collected by the school district, but the disbursement of the funds is not at the discretion of the school authority. Accounts should be maintained for all internal funds in a safe depository, and each school district must define procedures concerning the maintenance of their internal accounts, including the proper documentation of all transactions. All internal funds are subject to audit by the State Auditor.

School internal funds include the following:

- Accommodation accounts for student and employee community drives;
- Student Class/Club accounts that are expended only upon the authorization of the class or club; and
- Accounts for small miscellaneous sums to be paid to the State Treasurer at the end of each month.

Funds not maintained under the custody of the State Treasurer should be managed as regular school internal funds and are subject to the accounting procedures described above.

9.3.2 Cash Receipts from the Sale of Bonds, Notes, and Revenue Notes

Proceeds from the sale of bonds, notes, and revenue notes, including premiums and accrued interest, are deposited by the State Treasurer into State Funds as follows:

- All proceeds from the sale of bonds or notes, other than premiums or accrued interest, are deposited into a Special Fund or Funds of the State, and are applied for the purposes for which the bonds or notes were issued.
- All proceeds from the sale of revenue notes and all accrued interest from the sale of bond or revenue notes are deposited into the General Fund.
- Any premium from bonds or revenue notes are deposited, at the discretion of the OMB Director, the Controller General, and the Secretary of Finance, into:
 - A Special Fund of the State; or
 - An escrow fund to redeem or refund debt service on any debt or obligation of an instrumentality of the State.

(29 Del. C. §7414(a))

9.3.3 Federal Grant Funds

All federal grant funds should be made payable to the State Treasurer. Funds will be credited to the State's "Federal Aid Account" Special Fund (**29 Del. C. §2711(a)**), unless the federal government requires the funds for a specific grant to be segregated into a separate account. The State Treasurer is responsible for establishing any such segregated accounts for grant funds in compliance with all federal requirements. Agencies should use the delivered functionality of the State's finance and accounting system to bill grantors for draw downs associated with the agency's grant(s).

9.3.4 Credit Advances

An agency may advance credit to another agency, person, or corporation in the form of goods or services (bulk purchases of paper products or gasoline, automobile servicing, utilities, custodial services, etc.). Providing that the expenditures are not for functions that are the responsibility of the advancing agency, the reimbursement of the advance is deposited by the advancing agency into the appropriation account from which it was expended.

9.3.5 Refunds to the State

Agencies periodically receive refunds from employees (unused portion of a travel advance) or from vendors (overcharges, product returns). The refunds are processed as follows:

- General Fund and Special Fund refunds resulting from **current fiscal year expenditures** are credited to the appropriation from which the monies were expended.
- General Fund and Special Fund refunds resulting from **prior fiscal year expenditures** are treated as revenue items. General Fund refunds are credited to the fiscal year cash account appropriation; Special Fund refunds are credited to the proper active appropriation.

Refunds of federal grant or Capital/Bond Fund monies are credited to the appropriation from which the monies were expended, regardless of whether the expenditure is from a prior or current fiscal year.

NOTE: Expenditure-reducing credits are intended for use with refunds only. **Expenditure-reducing transactions are not to be used as a routine method of processing the receipt of fees and/or reimbursements**, except when specifically identified and authorized by the Delaware Code, Budget Act Epilogue, other legislation, or this Manual. If this limitation hampers or jeopardizes an agency's programs or operations, the agency should discuss the issue with its assigned OMB Fiscal and Policy Analyst.

9.3.6 Insurance Recoveries

If an agency receives an insurance recovery for equipment that is damaged or destroyed, the payment is credited to the appropriation account that would be used to replace or repair the equipment, as follows:

- General Fund and ASF Special Funds -- If the recovery is received in the **same fiscal year** in which the equipment is repaired or replaced, the payment is credited as an expenditure reduction. If the recovery is received in a **different fiscal year**, the payment is credited as revenue.
- NSF Special Funds, Federal Grant Funds, Capital/Bond Funds – the recovery is recorded as revenue, regardless of when the recovery is received.

9.3.7 School Facilities Usage Fees

A local school board may allow school-sponsored organizations, nonprofit organizations, or any governmental agencies to use school property or equipment under its jurisdiction free of charge; or the local school board may adopt a policy to charge these agencies or organizations a fee for costs incurred in excess of normal operations.

Other organizations, including for profit organizations, which receive approval to use school property and/or equipment, are charged an amount at least equal to the costs incurred in excess of normal operations. Local school boards are responsible for determining and calculating these costs and for maintaining appropriate documentation of the calculations, which are subject to audit.

Recoverable costs include: custodial salaries, other employment costs, heat, lighting, and other identifiable operational costs. All such facilities usage fees collected by a local school board are retained by the school district to be used as local funds for any permissible educational purpose.

9.3.8 Reproduction Charges

The Freedom of Information Act (**29 Del. C. §10003**) allows the charge of a reasonable fee for the reproduction of public documents, upon the request of any citizen. A standard copy charge of \$0.25 (twenty-five cents) per copy has been approved for statewide use by the OMB Director. Agencies should credit the receipt of these fees as an expenditure reduction for reproduction costs.

If \$0.25 per copy is not an adequate recovery for an agency, the agency may submit a "Copy Fee Approval Request" form for review by the OMB Director. The request should include cost factors based on both the copy machine cost and the operator's cost. Agencies requiring assistance in calculating a modified copy fee should contact OMB's GSS.

9.3.9 Restitution Processing

State employees and private citizens who are found guilty by a court or through another settlement process of theft, embezzlement, or fraud in the handling or receipt of state funds or property may be required to make restitution to the State. Due to the wide array of variable criteria that can apply to each case, the proper handling of the restitution must be addressed on a case-by-case basis.

Agencies must inform the OMB Director and the Secretary of Finance of the details of any and all incidents of theft, embezzlement, or fraud with respect to state monies or property as soon as the alleged behavior is discovered. This notification will allow the Budget and Finance offices to effectively participate in the investigation and/or resolution processes, including the development of acceptable settlement and restitution provisions. Agencies should contact a state accountant to determine proper processing requirements for any restitution payments received.

9.4 Accounts Receivable

Accounts Receivable represents amounts billed or billable to patients, clients, or taxpayers when the State provides goods and services or when the State establishes a due date for various fees or taxes. An accounts receivable report is submitted to the Secretary of Finance each year as part of the annual GAAP reporting package.

9.4.1 Collections

Every reasonable effort should be made to collect all receivables. Each agency with accounts receivable must develop and implement procedures for a positive collection effort, including procedures for evaluating the effectiveness of the agency's collection efforts and procedures for determining Doubtful Accounts.

Agencies should coordinate with the DOF and consult with the Attorney General to develop collection procedures. Each agency must provide an annual written report of its procedures, or any amendments to its procedures, to the Secretary of Finance by June 30.

Agencies are required to cooperate with the Attorney General in effecting collections and should use the remedies provided by the legal system, as appropriate. If the account remains

uncollectible, the agency should refer the account to the Secretary of Finance with all pertinent information.

All agencies collecting accounts receivable should solicit the assistance of other agencies that have a collections staff. Agencies with collections staff should make every effort to provide assistance to other agencies. Agencies require prior written approval from the Secretary of Finance and the Attorney General to enter into a contract with a professional collection service.

9.4.2 Doubtful Accounts

Agencies are required to calculate an Allowance for Doubtful Accounts to determine a realistic net value for expected receivables. "Doubtful Accounts" is the term for the estimated receivables an agency does not expect to collect in the near future.

Agencies may determine an Allowance for Doubtful Accounts using either the Percentage of Outstanding Receivables method or the Aging of Receivables method. Agencies should contact a state accountant for assistance calculating doubtful accounts.

Agencies must document the procedure used to determine the amount of doubtful accounts and include the procedures as part of the annual written submission to DOF of the agency's collection policies and procedures. The procedures used to determine doubtful accounts should be reviewed periodically to determine whether revisions are necessary due to changing conditions.

NOTE: The Allowance for Doubtful Accounts is not a write-off of accounts receivable.

9.4.3 Waiver of Accounts Receivable Compliance

An agency may request a full or partial waiver from Accounts Receivable requirements if the agency satisfies outside requirements that are more stringent than the State's policy. Waiver requests should be made in writing and submitted to the Secretary of Finance for approval.

9.4.4 Write-Offs

Agencies must obtain written approval from the Secretary of Finance to remove an account from an agency's list of active accounts receivable. The reclassification of a full or partial account balance to an inactive status does not forgive the debt. The account balance remains subject to collection in the event the agency determines circumstances have changed at a later date.

Agencies must provide the Secretary of Finance with the following documentation to obtain approval to reclassify an account balance to an inactive status:

- Documentation of the agency's collection efforts for the account balance in question;
- Documentation of the collection efforts, if any, by the Attorney General; and
- Certification by the Attorney General, or his deputy, that the potential recovery and costs of collection do not merit further collection efforts.

An agency may certify it has followed its previously filed and approved collection plan, in lieu of a declaration from the Attorney General that further collection efforts are unwarranted.

Upon approval by the Secretary of Finance, agencies should remove the full or partial account balance from the agency's active accounts receivable file and place the account into a permanent inactive file. The agency's Accounts Receivable policy should include periodic review of inactive accounts receivable to determine if the account(s) should be reclassified for further collection efforts.